



CONNECTICUT CLEAN ENERGY FUND

Comments of the Connecticut Clean Energy Fund (CCEF) regarding Raised House Bill 6636, AN ACT CONCERNING THE CONNECTICUT CLEAN ENERGY FUND.

Raised Bill 6636 proposes several changes to the Project 150 program. These changes would apply to past renewable solicitation rounds where the projects have already been selected and approved for long-term contracts, and to future renewable solicitation rounds.

The CCEF strongly supports the portion of Raised Bill 6636 which would allow the projects approved in past Project 150 renewable solicitations the option, and subject to regulatory approval, of converting their existing long-term contracts to cost-based contracts. The legislature is aware that Connecticut, as well as the nation, is in a severe credit crunch, which is making it difficult or impossible for many large-scale generating projects to obtain reasonable financing. This provision would enable several of the large renewable projects, already approved under Project 150, a greater opportunity to obtain private financing at reasonable terms.

The CCEF does not support the portion of Raised Bill 6636, which would force the projects approved in future Project 150 solicitations to enter into cost-based contracts. The CCEF believes the projects should have the option of entering into cost-based contracts if necessary, but should not be forced into this type of contract if they can obtain reasonable financing through the private equity and debt markets. In addition, this section of the bill would remove the existing incentives in the statute promoting the development of a fuel cell industry in Connecticut. The CCEF believes that removing the existing incentives will likely make fuel cell projects less competitive in future Project 150 solicitations, and may ultimately harm the fuel cell industry in the state.

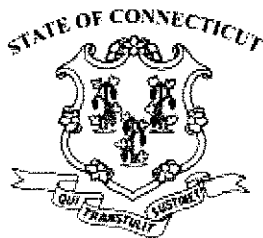
As a win/win solution for all proposed projects, the CCEF recommends that Raised Bill 6636 retain the already existing Project 150 program parameters and fuel cell incentives, but allow those projects approved in future solicitation rounds to enter into cost based contracts, at their option and subject to department approval, if necessary to obtain reasonable financing.

In addition, the CCEF recommends that non-cost factors be included to ensure that "non-cost" factors continue to play an important role in the renewable energy project-selection process. The CCEF proposes that the Raised Bill direct that all projects be approved for long-term contracts based on the following non-cost factors: economic development, technology innovation, technology and source diversity, private

investment, transmission and development reliability, grid security, and the ability to hedge against rising electric and gas prices.

Raised Bill 6636 should also address the issue of "project attrition" Regarding project attrition, the CCEF recommends that the Raised Bill include an additional forty-five (45) megawatts of renewable generation under Project 150 to account for the well-accepted industry attrition rate of thirty-percent. This will help ensure that the legislative goal of at least 150 megawatts will be achieved in the timeliest manner possible.

Attached is a mark-up to Raised Bill 6636, which reflects the CCEF's project attrition suggestion.



General Assembly

January Session, 2009

Raised Bill No. 6636

LCO No. 4481

04481_____ET_

Referred to Committee on Energy and Technology

Introduced by:

(ET)

AN ACT CONCERNING THE CONNECTICUT CLEAN ENERGY FUND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subdivision (2) of subsection (j) of section 16-244c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(2) Notwithstanding the provisions of subsection (d) of this section regarding an alternative transitional standard offer option or an alternative standard service option, an electric distribution company providing transitional standard offer service, standard service, supplier of last resort service or back-up electric generation service in accordance with this section shall, not later than July 1, [2008] 2011, file with the Department of Public Utility Control for its approval one or more long-term power purchase contracts from Class I renewable energy source projects that receive funding from the Renewable Energy Investment Fund and that are not less than one megawatt in size, [at a price that is either, at the determination of the project owner, (A) not more than the total of the comparable wholesale market price for generation plus five and one-half cents per kilowatt hour, or (B) fifty per cent of the wholesale market electricity cost at the point at which transmission lines intersect with each other or interface with the distribution system, plus the project cost of fuel indexed to natural gas futures contracts on the New York Mercantile Exchange at the natural gas pipeline interchange located in Vermillion Parish, Louisiana that serves as the delivery point for such futures contracts, plus the fuel delivery charge for transporting fuel to the project, plus five and one-half cents per kilowatt hour.] Contracts entered into on or after August 1, 2009, shall include a requirement that the owner of the Class I renewable energy project be

compensated at a cost-based rate, in cents per kilowatt-hour, that provides the opportunity for the project to earn a reasonable rate of return if the project operates at a sufficient capacity factor. The department shall determine the rates, the capacity factor and other factors prior to the commencement of any contract and the department may adjust such rates, capacity factor and other factors not more than once every five years. The department may establish a five-year review proceeding at its discretion or at the request of the owner of the Class I renewable energy project. In its approval of such contracts, the department shall give preference to purchase contracts from those projects that would provide a financial benefit to ratepayers or would enhance the reliability of the electric transmission system of the state and the department may accept or reject any proposed contract as public interest requires. Such projects shall be located in this state. [The owner of a fuel cell project principally manufactured in this state shall be allocated all available air emissions credits and tax credits attributable to the project and no less than fifty per cent of the energy credits in the Class I renewable energy credits program established in section 16-245a attributable to the project. On and after October 1, 2007, and until September 30, 2008, such contracts shall be comprised of not less than a total, apportioned among each electric distribution company, of one hundred twenty-five megawatts; and on] On and after October 1, [2008]2010, such contracts shall be comprised of not less than a total, apportioned among each electrical distribution company, of one hundred fifty megawatts, plus not less than an additional forty-five megawatts to address project attrition after contract execution with the intent that not less than a total of one hundred fifty megawatts ultimately reach commercial operation pursuant to this section. The cost of such contracts and the administrative costs for the procurement of such contracts directly incurred shall be [eligible for inclusion in the adjustment to the transitional standard offer as provided in this section and any subsequent rates for standard service, provided such contracts are] at the department's discretion from time to time, either included in nonbypassable federally mandated congestion charges or in the rates for standard service and any benefits, including, but not limited to, the value of renewable energy credits received through a contract, shall be distributed in the same manner as the costs. A project owner who has signed a contract on or before April 1, 2009, and whose contractual compensation is not indexed to the cost of natural gas fuel may make a single request to the department to adjust its contract due to issues of financeability, provided such a request is made before September 1, 2009, and may include a request that the existing contract be extended to cover the full output of the project. The department, upon receipt of such a request, may open a proceeding to consider whether to adopt any adjustments to such a contract, including, but not limited to, converting it to a cost-based contract that may include a fuel cost adjustment clause, as the department determines is in the public interest. A proceeding opened by the department pursuant to this subdivision shall be conducted as an uncontested proceeding, but the project developer shall present evidence and testimony of a financial expert to the department, at the project developer's expense, as to the necessity of adjusting the contract. The contracts shall be for a period of time sufficient to provide financing for such projects, but not less than

ten years, and are for projects which began operation on or after July 1, 2003. [Except as provided in this subdivision, the amount from Class I renewable energy sources contracted under such contracts shall be applied to reduce the applicable Class I renewable energy source portfolio standards. For purposes of this subdivision, the department's determination of the comparable wholesale market price for generation shall be based upon a reasonable estimate.] On or before September 1, [2007]2010, the department, in consultation with the Office of Consumer Counsel and the Renewable Energy Investments [Advisory Council]Board, shall study the operation of such renewable energy contracts and report its findings and recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to energy.

Sec. 2. Subsection (e) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(e) The Renewable Energy Investments Board shall include not more than fifteen individuals with knowledge and experience in matters related to the purpose and activities of the Renewable Energy Investment Fund. The board shall consist of the following members: (1) One person with expertise regarding renewable energy resources appointed by the speaker of the House of Representatives; (2) one person representing a state or regional organization primarily concerned with environmental protection appointed by the president pro tempore of the Senate; (3) one person with experience in business or commercial investments appointed by the majority leader of the House of Representatives; (4) one person representing a state or regional organization primarily concerned with environmental protection appointed by the majority leader of the Senate; (5) one person with experience in business or commercial investments appointed by the minority leader of the House of Representatives; (6) the Commissioner of Emergency Management and Homeland Security or the commissioner's designee; (7) one person with expertise regarding renewable energy resources appointed by the Governor; (8) two persons with experience in business or commercial investments appointed by the board of directors of Connecticut Innovations, Incorporated; (9) a representative of a state-wide business association, manufacturing association or chamber of commerce appointed by the minority leader of the Senate; (10) the Consumer Counsel or the Consumer Counsel's designee; (11) the Secretary of the Office of Policy and Management or the secretary's designee; (12) the Commissioner of Environmental Protection or the commissioner's designee; (13) a representative of organized labor appointed by the Governor; and (14) a representative of residential customers or low-income customers appointed by Governor. On a biennial basis, the board shall elect a chairperson and vice-chairperson from among its members and shall adopt such bylaws and procedures it deems necessary to carry out its functions. The board may establish committees and subcommittees as necessary to conduct its business.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-244c(j)(2)
Sec. 2	<i>from passage</i>	16-245n(e)

Statement of Purpose:

To make certain modifications to Project 150 and to the Renewable Energy Investment Board.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]